



The State of New Hampshire Insurance Department

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Things You Should Consider About Medicare Prescription Drug Coverage

The federal government enacted a new benefit for Medicare beneficiaries, Medicare Prescription Drug coverage. Medicare Prescription Drug plans (also called PDPs) will be sold by private companies whose plans have been approved by Medicare. Voluntary enrollment for Medicare Prescription Drug plans begins November 15, 2005 and ends May 15, 2006. If you enroll by December 31, 2005, the new Medicare Prescription Drug coverage will begin on January 1, 2006. If you enroll after December 31, 2005, the coverage effective date is delayed. If you wait to enroll until after May 15, 2006, this late enrollment may result in a 1% per month penalty for every month you delayed enrollment. There is no limit on this monthly late enrollment penalty, so the longer you wait after May 15, 2006 to enroll, the greater the premium can be.

The new Medicare Prescription Drug benefit can be obtained in several different ways:

- By enrolling in a stand-alone prescription drug plan.
- By enrolling in a Medicare Advantage plan that includes the new drug benefit.
- By enrolling in one of the new Medicare Regional Preferred Provider Organizations (PPOs) that includes the new drug benefit.

Everyone with Medicare is eligible to enroll in a PDP, regardless of income or assets. You will want to compare plans and select the one plan that best meets your individual needs, such as, are all your prescriptions on the plan's list of drugs (called a formulary), can you use your preferred pharmacy and is the premium affordable. You can only have one PDP plan.

If you already have prescription drug coverage you need to evaluate whether you should sign up for the new Medicare Prescription Drug benefit. There are several things to consider in making this decision.

If you currently have drug coverage through an employer, many employers will continue to offer the prescription drug coverage they currently offer to retirees. The employer plan must inform you by November 14, 2005, whether the employer drug coverage is as good as the new Medicare Prescription Drug benefit. (Coverage that is as good as the new Medicare prescription drug benefit is called "creditable coverage.") If the drug coverage through the employer is "creditable coverage," you should keep the employer coverage, and you would not have to pay a penalty to

sign up for the Medicare Prescription Drug benefit after May 15, 2006 should the employer coverage be cancelled in the future.

Generally, if you currently have drug coverage through a Medicare supplement insurance (Medigap) policy, the Medigap drug coverage is not as good as the new Medicare Prescription Drug benefit (not “creditable”). You may choose to keep this coverage or have the prescription drug benefit removed from the policy and enroll in a PDP. Another option is to select another Medigap plan and enroll in a PDP. Medigap companies are required to send notification to their plan members with Medigap drug coverage advising them of their options and the consequences of their choices.

Because the drug benefit of a Medigap drug coverage plan is not creditable, if you have one of these plans and decide to keep your current coverage as is past May 15, 2006, you should be aware of the impact that such a decision would have on any changes in coverage that you may wish to make in the future. For example, if the premium on your Medigap plan increases in the future or the drug coverage that it provides no longer meets your needs, you may someday want to change coverage and buy a PDP. Since there is no cap on the late enrollment penalty that can be charged, if you make such a change later than May 15, 2006 you could find that your costs for drug coverage are higher. For example, if you decide to drop your Medigap drug coverage two years past the May 2006 cutoff, you could face premiums that are 24% higher. The average standard PDP coverage is \$32/month. After two years, the coverage would increase by \$7.68/month.

However, you need to be aware that the Medigap policy is guaranteed renewable. The new Medicare prescription drug benefit will be offered by a variety of organizations that are not required to stay in the Medicare program year after year. You may have to find a new Medicare prescription drug plan if the one you are in decides to leave the program. Also, PDPs cover drugs according to specific lists called formularies. PDPs are allowed to change formularies during the contract year, with 90 days’ notice. The drugs you take now that are on a specific PDP formulary may not always be on the formulary. You may have to try a different drug or file an appeal to keep taking the same drug if the PDP changes the formulary.

Federal assistance with premiums will be available to Medicare beneficiaries who meet certain income requirements.

Medicare beneficiaries may seek assistance in reviewing options for coverage and obtaining financial assistance by contacting their State Health Insurance Assistance Program (SHIP). Contact HICEAS (Health Insurance Counseling Education Assistance Service) by calling 1-800-852-3388.